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BBD.B.TO - Q3 2018 Bombardier Inc Earnings Call

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OVERVIEW:

Co. reported 3Q18 consolidated revenues of \$3.6b and adjusted EPS of \$0.04.
Expects 2019 revenues to be more than \$18b.



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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Bombardier's Third Quarter 2018 Earnings Conference Call. Please be advised that this call is being recorded. At this time, I'd like to turn the discussion over to Mr. Patrick Ghoche, Vice President, Investor Relations for Bombardier. Please go ahead, Mr. Ghoche.

Patrick Ghoche - *Bombardier Inc. - VP of IR*

Thank you. Good morning, everyone, and thank you for joining us for this review of our third quarter performance and various announcements made this morning. This conference call is broadcast live on the Internet. For copies of our earnings release and supporting documents in both English and French, or to retrieve the webcast archive of this call available later today, please visit our website at bombardier.com.

All dollar values expressed during this call are in U.S. dollars, unless stated otherwise. I also wish to remind you that during the course of this call, we may make projections or other forward-looking statements regarding future events or the future financial performance of the corporation. I bring your attention to Page 2 of our presentation.

Several assumptions were made in preparing these statements and we wish to emphasize that there are risks that actual events or results may differ materially from these statements. For additional information on such assumptions, please refer to the MD&A. I'm making this cautionary statement on behalf of each speaker, whose remarks today will contain forward-looking statements.

In a few moments, Alain Bellemare, our President and Chief Executive Officer, will address the announcements made this morning. John Di Bert, our Chief Financial Officer, will then review our financial results for the third quarter and highlight the 2018 updated guidance and the 2019 guidance introduced today. Given the strategic actions announced today, we may extend the duration of the Q&A period.



With that, I would like now to turn over the discussion to Alain.

Alain M. Bellemare - Bombardier Inc. - President, CEO & Director

Well thank you, Patrick, and good morning, everyone, and thank you for joining us for today. As you saw in the press release this morning a lot of good things are going on at Bombardier. We continue to make solid progress executing our turnaround plan, highlighted by a strong EBIT of \$271 million, our best quarterly performance in years. We also continue to proactively position the company for the future.

To support the cash and earnings growth phase of our turnaround plan, we are launching a new enterprise wide productivity program to further streamline, lean out and simplify the organization. We are also generating almost \$1 billion from the sales of noncore assets to increase our financial flexibility and we are achieving our key milestones, including yesterday, FAA certification of the Global 7500, which marks the end of our heavy investment cycle.

With these actions we are increasingly confident in our ability to deliver on our 2020 goals and we see additional value creation beyond that. When we began the year we had 3 key priorities, certifying and ramping up the Global 7500, accelerating key (technical difficulty) project deliveries, and supporting the ramp up of the C Series. An aggressive agenda, which we have largely delivered. We've hit all the targets in aerospace. The Global 7500 is set to enter service this year. We have continued to expand BBA after market network, announcing a new state-of-the-art customer service center in Florida. And the Airbus partnership is fully operational as evidenced by the first delivery to Delta last month.

At BT the business fundamentals remain strong, the backlog continues to grow, we are achieving our margin targets early. And we continue to improve the mix of service signaling contracts. On the operational side at BT we are in the middle of a very intensive ramp up creating pressure on working capital. This will continue through the fourth quarter and we will largely recover in 2019. John, will provide more color on this later.

Turning now to the strategic action we announced this morning, we are sharpening our focus on the biggest growth opportunities in our business segments. Today, Bombardier is well positioned with our Rail, Business Aircraft and Aerostructures businesses. In each of these segments we have strong market positions, unique capabilities, industry leading portfolio and strong backlogs. In the future this will be where we will deploy our capital to drive strong returns on investments.

We will also participate in the growth of the commercial aircraft market. We see tremendous potential with our Airbus partnership and the Airbus 220, the best aircraft in the 100 to 150 seat class. And we are supporting Airbus in growing the backlog and reducing costs.

We will also continue to actively participate in the regional aircraft market with our established and scope-compliant CRJ platform, while exploring strategic options for the program. With the new CRJ cabin and strong operating economics, our focus is on reducing costs and increasing volumes.

We are also improving customer service in our aftermarket business, where we have a large installed base of 1,500 CRJs in service around the world.

As we focus on our core businesses we have made a strategic decision to monetize certain assets, including the Q, C Series aircraft program and the de Havilland trademark, which we are selling to Longview based in Western Canada for \$300 million. We believe Longview is the right owner for the program, we know them well. The group acquired the CL-415 Water Bomber from us in 2016. We are confident that they will be able to deliver on the backlog and provide high level of support for existing operators.

We also reached a definitive agreement to sell BBA's Pilot Training business to CAE, which will generate gross proceeds of \$800 million. This sale allows our customers to benefit from CAE's expertise, while we at Bombardier will continue to focus on aircraft development and services. The transactions with CAE and Longview are expected to close by the second half of 2019 following regulatory approvals. Together we expect gross proceeds of \$1.1 billion, netting \$900 million.

These proceeds position us well as we enter the deleveraging phase of our turnaround plan. We're also being proactive with respect to leaning out our cost structure. First with the heavy aerospace investment phase behind us, we are rightsizing and redeploying our central aerospace engineering team.

Key engineering team members will be redeployed to our Business Aircraft, Transportation and Aerostructure segments, with the largest group moving to Business Aircraft. This will ensure that BBA has all the necessary capabilities to continue leading innovation in the industry.

We are also redeploying resources to establish an Advanced Technology Office, this group will focus on system design and engineering, including applying experience from our aerospace to our rail business.

We are also launching a new company-wide productivity program. We will focus on optimizing both production and management processes, flattening our management structure and further reducing indirect costs. These efforts will result in a reduction of about 5,000 positions across the organization over the next 12 to 18 months.

As a result of this restructuring action we expect recurring annual savings of \$250 million and we expect to achieve the full run rate by 2021.

Finally, we continue to strengthen our leadership team. We appointed Sam Abdelmalek as Chief Transformation and Supply Chain Officer in October. Today, we announced the appointment of Danny Di Perna as President of Aerostructures and Engineering Services. Both Danny and Sam come with very strong industrial background and deep expertise in procurement, operation and engineering. They will focus on accelerating productivity and achieving world-class financial performance.

Okay. Let me stop here and say that we're very excited about the progress we've made so far as we approach the final phase of our turnaround plan.

Next year, we will take another big step forward. We will grow the top line by 10% as Global 7500 deliveries accelerate. And profitability will grow at an even faster rate. EBIT will grow by 20% and EBITDA will grow by 30%. John will go through the details of our 2019 guidance in a minute.

I am very proud of what we have accomplished as a team so far. The actions that we're announcing today provide us with additional confidence in meeting our 2020 plan, better position us to unleash the full potential of the portfolio and deliver additional value to Bombardier shareholders.

The team and I are looking forward to sharing more details at our upcoming Investor Day on December 6. I will turn it over to John.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Thank you, Alain and good morning everyone. The actions announced this morning demonstrate our focused efforts to grow earnings and cash flows. We continue taking concrete actions to reshape Bombardier's portfolio and to drive productivity and disciplined capital allocation. Beyond that, our actions also underscore our continued engagements to proactively build financial flexibility.

Let me explain, earlier this year we raised \$1.1 billion through the sale of Downsvue and the equity issuance. We said at the time that the convergence of project and program ramp ups in 2018 justified building this flexibility. And now, with the transactions announced this morning, we are adding another \$900 million to the balance sheet, this time with a view to the upcoming deleveraging phase of our plan.

With year-end cash on hand of approximately \$3 billion and with the proceeds of our announced transactions, we will have set a strong liquidity foundation as we exit the turnaround in 2020. I will discuss 2019 guidance later but let me first turn to a review of Q3 and 2018 financials on Slide 8.

Consolidated revenues totaled \$3.6 billion, corresponding to 3% year-over-year organic growth from BT, BBA and Aerostructures. This was the first quarter without C Series revenues following the deconsolidation. With revenue guidance for each business unit tracking to plan, we are trending to approximately \$16.5 billion for the year, the lower end of the guidance range.

On the earnings front, third quarter profitability was particularly strong with EBIT before special items growing 48% year-over-year to \$271 million. This produced 7.4% EBIT and 9.1% EBITDA margins before special items, our best quarterly performance in years.

Profits were strong across all businesses. BT's EBIT margins reached 8.7% for the quarter, BBA's margins were 8.2%, and Aerostructures delivered 8.4%. At commercial aircraft, we produced EBIT near breakeven as we deconsolidated the C Series losses, net of the associated equity pick up.

Looking out to the full year, the strong results to-date position us to deliver EBIT closer to the top end of the guidance range at approximately \$1 billion, while EBITDA guidance is unchanged at \$1.25 billion to \$1.35 billion.

We also reported a \$0.04 adjusted EPS in the third quarter and \$0.09 on a year-to-date basis, further evidence of our improving profitability. On free cash flow, usage was \$370 million during the quarter, improving by \$125 million year-over-year. Cash usage was driven mainly by a buildup of working capital at Transportation.

As we continue to work through the intense train delivery phase, Transportation's order mix was also a factor driving free cash flow usage. Orders received favored service contracts and options exercises, leading to lower advances. While the transition and contract mix affected the timing of cash flows, this is fundamentally positive for the business and is in line with our growth and project de-risking strategy.

With higher than expected working capital in the second half, we are adjusting our full-year free cash flow breakeven guidance to include the \$600 million received from the sale of Downsview. In other words, we continue to target breakeven plus or minus \$150 million but using the flexibility built from an asset sale to observe -- to absorb working capital volatility.

This implies cash generation of approximately \$900 million in the fourth quarter, in line or better than the same period last year.

Let me provide some perspective on our free cash flow performance as we are in a transitional period. We are seeing structural changes towards cash generation on both sides of the business. In aerospace, we've completed the heavy investment cycle, marking a key milestone in our plan.

And at BT, the increasing pace of deliveries will lead to stronger cash inflows and lower working capital needs, as we work through our ramp. Our continued progress makes us confident that we are on the right track to generate sustainable free cash flow of \$750 million to \$1 billion by 2020.

Let me now quickly turn to each unit's performance on Slide 9. Our real business recorded revenues of \$2.1 billion in the quarter on a 2% organic growth with growth coming from all segments, supporting full-year revenue guidance of approximately \$9 billion. Earnings are also trending positively with EBIT before special items of \$187 million for the quarter, representing a margin of 8.7%, in line with guidance.

This quarter's EBIT includes continued progress on revenue mix, offsetting lower JV income. On the order front, we saw a 6% improvement compared to last year, resulting in a \$34 billion backlog.

As BT's backlog quality improves with higher service contracts and lower risk projects, it continues to position itself for earnings and free cash flow growth.

At Business Aircraft, positive Q3 results stem from strong delivery and sales performances. Exceptional new program execution, continued double-digit aftermarket growth and overall margin performance in line with plan.

In the quarter, we delivered 31 aircraft including 4 Lear jets, 20 Challengers and 7 Globals. At 96 aircraft deliveries after 9 months, we are on plan to deliver 135 aircraft for the year. This includes the first Global 7500 delivery expected in December.

Revenues for BBA totaled \$1.1 billion in the quarter marginally higher than last year, essentially from 30% better aftermarket revenues. With year-to-date revenues of \$3.5 billion, we continue to expect full-year revenues at or above \$5 billion.

Looking at BBA's operating performance during the quarter, EBIT before special items was \$89 million or 8.2%, reflecting, as expected, some dilution coming from entry into service costs. With year-to-date margin at 8.5%, we are performing above our guidance of 8% or better for the year.

Going into next year, we expect a margin dilution of up to 100 basis points as we get into the heart of our production ramp up. From a demand perspective, we are encouraged by the ongoing market activity. Orders exceeded revenues by \$200 million in the quarter and includes a sixth aircraft order for our newest aircraft, the Global 6500 and 7500.

This implies a revenue book-to-bill approaching 1.2 for the second consecutive quarter, resulting in an industry leading backlog of \$14.3 billion.

Moving to commercial aircraft. We delivered 5 aircraft in the quarter cumulating at 23 deliveries after 9 months. We are on track to deliver 35 regional aircraft this year as per guidance.

Third quarter revenues totaled \$256 million, down from \$515 million in 2017 as we no longer recorded C Series revenues. On the earnings front, BCAs EBIT loss significantly improved in Q3 to \$9 million as the deconsolidation of the C Series was replaced by our share of CSALP's results.

The equity pick up in our numbers reflects the preliminary purchase price accounting for CSALP based on a \$5.25 billion fair value. And this includes the powerful synergies from Airbus. For 2018, we continue to expect BCA's revenue and EBIT in line with guidance as updated following the deconsolidation of the C Series. For 2019, as we work on closing the Q400 transaction, we will also drive cost reduction for the CRJ, required to create a leaner business on our way to breakeven EBIT by 2020.

Now looking at Aerostructures. Revenues for the quarter increased 23% totaling \$430 million. This growth is driven by our position as a key supplier to the Airbus 220 and Global programs. Now that CSALP is considered a third-party customer, inter-segment revenues reduced as expected to close to 60% for the quarter. On a year-to-date basis, revenues were \$1.3 billion, growing to approximately \$2 billion for the year, fueled mainly by new program ramp up.

On the profitability side, third quarter EBIT before special items reached 8.4%, reflecting the continued ramp up of the Global 7500 component production and the new contractual relationship with Airbus. Aerostructures is tracking to greater than 8.5% EBIT margin for 2018.

Now looking forward into 2019 based on the portfolio changes and initiatives announced today on Slide 10. 2019 revenues are expected to grow by approximately 10% to more than \$18 billion. This growth is coming mainly from the 15 to 20 Global 7500 we expect to deliver next year, as well as from the continued expansion of the BBA aftermarket business. We also expect BT to contribute to top line increases as it delivers on its significant backlog.

I want to highlight that our revenues, profitability, and cash flow guidance for next year reflect the deconsolidation of the training business and the Q400 program starting in Q4, 2019. Profitability next year also grows meaningfully, driven by an improving service mix at BBA and BT, from transformation initiatives, and EBITDA growth coming from the introduction of the Global 7500. Consolidated EBITDA should grow approximately 30% to a range of \$1.65 billion to \$1.8 billion. And EBIT should increase approximately 20% to between \$1.15 billion and \$1.25 billion.

Consolidated margins will continue to expand driven by BT and Aerostructures, while BBA margins will be approximately 7.5%, as they ramp up the early production units of the Global 7500.

From a free cash flow perspective, 2019 will demonstrate Bombardier's structural transition to cash generation. In fact, we expect \$250 million to \$500 million in normalized and sustainable free cash flow generation for the year. The material free cash flow improvement versus 2018 reflects the planned reduction in Aerospace capital spending, year-over-year working capital release, and higher operating cash flow from earnings growth.

Having said that, we will publish guidance of breakeven plus or minus \$250 million with the difference between normalized free cash flow and guidance, coming from 2 key elements. First, a one time \$250 million restructuring investment and an additional \$250 million contingency to absorb the working capital volatility as we progress through our intense growth phase. Looking beyond towards 2020 financial target, we continue to track to the plan originally launched in 2015.

With a portion of our restructuring initiatives producing benefit as early as 2020 and even with the divestiture of the Q400 and training business, we continue to see revenues exceeding \$20 billion by 2020. With EBIT above 8% and free cash flow between \$750 million and \$1 billion. Simply

said, given the strong progress made to date in 2018, and given the key actions laid out today, we have never had more confidence and clarity in our ability to deliver on our 2020 plan.

We have a strong management team focused on consistently executing the roadmap we created and we are enthusiastic about the potential value creation of our turnaround plan. Moreover, 2020 is simply the beginning of another phase for Bombardier. We will continue to grow revenues and earnings, and most importantly, generate sustainable free cash flow.

With that Operator, we're ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Turan Quettawala from Scotiabank.

Turan Quettawala - *Scotiabank Global Banking and Markets, Research Division - Director, Transportation and Aerospace, Equity Research*

John, I was wondering if you can talk a little bit about puts and takes in the free cash flow for next year. I know you said there was a \$250 million contingency on working capital. I'm assuming that's BT. Are there any other potential puts and takes maybe that would help you to outperform or maybe under perform a little versus guidance?

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

So good question. I guess 2019 -- first of all we have a pretty strong roadmap to cash flow generation as you've seen in the color on the commentary. We expect the business to be able to generate \$250 million to \$500 million of positive cash. The color we provided on restructuring, that's a one-time item. So that's going to get actual leverage past 2019 into 2020 and 2021, that's going to be cash flow positive. With respect to kind of some color around the operations, I think that next year you have 2 things to consider. One, is that the 7500 is going to be in the intensity of the ramp there. So we'll be growing production probably in the neighborhood of 35, 40 plus units in 2020. And so as a result we're going to be using some working capital there. Largely offset I think by the reduction in investments, right. So we've had a big investment push here right through '18 on development. So I think those will have some offsetting properties. And then we'll have the working capital release from BT. We've built for this, right. I mean in the end, in 2017 and through this year, we've been building up working capital at BT. So next year I do expect us to be able to generate cash flows significantly through that release, and as a result supports cash generation. With respect to any volatility there, we are taking \$250 million in contingency for both BT and 7500. So I feel pretty confident to that breakeven. It gives me a contingency of \$250 million to the midpoint.

Turan Quettawala - *Scotiabank Global Banking and Markets, Research Division - Director, Transportation and Aerospace, Equity Research*

And I guess just one more, considering this is the changes in the free cash flow situation here in 2018, does it really impact your thought process with regard to the BT call option next year?

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

No, I think that fundamentally let me put it this way, the business is in great shape and we are working to a -- a kind of a challenge here with respect to working capital. And it's mostly how quickly we can start seeing relief on working capital more than anything else. So Q3 Q4 we'll work through all of this. But fundamentally we're really talking about a great business. We think that the asset is a tremendous asset. We want to continue to operate it. And we do see the value and continue to assess the buyback options. So from our perspective nothing has changed at all. In fact, really I mean we are going through the growth agenda here with the step up and not withstanding the fact that we didn't get exactly where we want



to be in 2018. We'll have a significant ramp up in actual deliveries to customers. So, nothing changes. This is still a great asset. And we still see the value in the longer-term of looking at the minority interest.

Operator

A following question is from Benoit Poirier from Desjardins Capital Markets.

Benoit Poirier - *Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst*

My question is around the CRJ. Could you talk a little bit about the potential option on the CRJ, maybe also the timing and provide some color about the option and the scenarios for buying back CDPQ's stake?

Alain M. Bellemare - *Bombardier Inc. - President, CEO & Director*

I'll take the first piece and then John can come in on the second one. On the CRJ, when we concluded the C Series partnership with Airbus, we said that we're going to look at our options and as I was saying the Q400 program as well as the (inaudible) program. The focus now on the, as you've seen, we decided to sell the Q400 because we believe there is a better owner than us to keep this program going. On the CRJ, the focus is still on reducing costs and selling aircraft today. We're losing money on the CRJs. We've been working with suppliers. We need to see more movements from the supplier in term of reducing costs. And this is a great aircraft, I mean we invested in a new cabin. This is an aircraft that get -- that has great operating economics. And airline customers do like the aircraft. So we want to make sure that we also extract the right value for this program. So that's what we're going to keep on doing and in term of exploring strategic options, it's something that is always on the table. And honestly, I wouldn't want to speak later on the -- on this, this morning. The focus is pretty clear right now.

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

Benoit, maybe on the second part of your question, I think you asked about sort of just some color on the two minority interests and options there. So I mean, we've said it before, we think that this is definitely one area that we'd look to the poor capital. The option becomes available in February, as you very well know, that's the third year anniversary. So we have the time to hear if you need to assess. I mean, overall the good news is that we're making very good progress of the business. We see clearly our path here to 2020 objectives, which gives us confidence to assess some of the options that we may have. Again today, we announced additional monetization of assets, which produces more flexibility for us. So as we look at this, we'll look at timing, we'll look at the circumstances and the terms of all of this. We're focused on creating value for shareholders, so that's where we are going to be looking at the transaction in that respect. And fundamentally, we're going to make sure that we do this responsibly. We've always been prudent and proactive. And we'll do this, so that we maintain the stronger liquidity and the right flexibility for the business.

Operator

Our following question is from Seth Seifman from JPMorgan.

Seth Michael Seifman - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

I wonder if you could give me maybe a little more color about BT and just help us understand how things are going to unfold over the next, let's say, 12 to 15 months. I guess of the backlog of \$34 billion, I guess how much of it would you say is associated with the contracts that you're looking to work through in where you've seen these delays. And then maybe just understanding a little bit, how do you bridge from the profits that you're showing on the P&L, right now, to the cash outputs that we're seeing in the quarter and understanding kind of how your estimates for what your eventual cash profits are going to be on this program aren't changing despite the change in the cash flow timing profile of the programs?



John Di Bert - Bombardier Inc. - Senior VP & CFO

I mean put a bit of perspective around all of this, I think at BT if you recall back in '16, we kind of refocused a lot of the other business to make sure that we had some very large innovative projects and got the technology right. We kind of then started in '17 to build up a lot of industrialization plans for these large contracts. Ultimately now, we're just coming to exactly where we knew we'd be, which is a very intense delivery phase. And that's going to be something that's going to go through all of '18 year. And then through '19, we continue to have a high delivery rate. This year for some perspective, we'll probably put 20% more trains in the hands of customers than we did last year. And we had plans probably to be in excess of 25%, 30% to that. So we had an aggressive agenda. And I think that's the right thing. We wanted to make sure that we put trains in customers' hands and we're doing that consistently. With that said, we carry more working capital here in the second half of the year than we would have otherwise planned. And so we're going to work through this. I mean it's a handful of projects we're talking about. And I don't want to make any light of it, but there are many conditions here that kind of move around. It's some times it's infrastructure projects and timing of the ability of the customer to take the equipment as well, relative to the other infrastructure moving parts that they have with projects. Sometimes it is our own supply chain internally here that we're working through. What I can tell you is that the team is fully focused and it's a handful of projects that really make up the, kind of this bubble of working capital. We'll work through it, but the step change that we go through now really fundamentally is actually the definition of the growth cycle we have at BT, which is largely positive. And as you described, backstop at \$34 billion of backlog. So [Laurent's] done a great job in terms of taking cost out. We've done very well in terms of margin expansion. When you talk about the composition of the portfolio, you're looking at much more service contracts. You're looking at options renewals now for technology that we develop 2, 3 years ago. And those are all very positive for the longer term. Fundamentally, we'll work through this in '18 through all of '19. And it's one of the reasons we have a lot of confidence when we are affirming from 2020. We have a great business. It's got good margin capability. And it does deliver cash flows. And we'll get to the step up here on working capital, work through it and this business will continue doing what it's supposed to do, which is a be a strong earnings and cash performer.

Seth Michael Seifman - JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst

Maybe as a quick follow up in that, I apologize if I missed some of the materials this morning. But the majority of the restructuring activity in terms of workforce reduction and where you're spending the restructuring, is that -- which areas of the business is that most focused on?

John Di Bert - Bombardier Inc. - Senior VP & CFO

It's across the business really at the end of day, Alain touched a little bit of it in his commentary, but the fundamental which we're looking at here is a couple of things coming together. One, is that we're coming off a very heavy investment cycle on Aero, so we are adjusting the overall portfolio with respect to that. We're going to be putting a lot of the engineering talent into BBA. But overall you're going to see some reductions coming from that component. The other piece of this is the fact that we do see here the opportunity to become more productive. We have the ability to continue to become an efficient organization. Across the board, really this is trains and planes. So we're thinking about here an immediate 5% improvement in productivity, that's kind of the size of it. And that we'll be able to executive over the next 12 to 18 months. We're also are putting some IT technology investments behind all of this. So we've been working together as a team here for 3 years and we know where the opportunities are. And we are going to take advantage of that and make this a world class performing organization.

Operator

A following question is from Myles Walton from UBS.

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

So to just go back to the cash flow question for '18, John, if I could, it sounds like it's predominantly on BT on the working capital side, but I'm just curious how soon did the \$600 million shortfall show up? Is it something that's kind of crept in over the last couple of months? Did you see it building? And then just how quickly do you get comfortable in terms of getting those trains out the door?



John Di Bert - Bombardier Inc. - Senior VP & CFO

Yes, so I'd say that fundamentally we came into the year knowing that we had an intense push here on deliveries, but fundamentally, it's something that we started to see really into the third quarter when there was a chance on some of the projects moving some of the milestones and some of the customer acceptances. Fundamentally, it's really a question of relieving working capital more than there is consuming here. So we had about call it EUR 300 million or so of miss in the third quarter. When you look to the full-year number, we're kind of showing now about \$600 million of total risk. And really that's a question of how fast does it come down in Q4. Year-over-year \$900 million of cash generation would include that miss at BT. And that would be equal or better than what we did last year. So it's really a question of how quickly are we getting the business to really move through this delivery phase. And it's not so much the build up of additional working capital. It's the burn down of what we've been building through. And so I look at it with a perspective of: We've taken on a huge agenda. When you talked about where it's coming from. Look at the Aero side of the business. I mean we set out we had 3 major challenging priorities this year, that would cause inflection. Number one certify the 7500, done. Number two, we want to get the C series or A220 on its way and really started to ramp up and get the partnership completed with Airbus, done. And so we're talking now here about having some maybe some delay in terms of the working capital relief at BT. But it's not something that gives me a real concern over the long period, something that we worked through. And it's something that we're dealing with and I mean I -- not much more to say than that other than the fact that for next year if there is any concerns there is we've taken a contingency, so that will allow us a little bit of flexibility on the 7500, as well as the train business. And overall longer term, it's a -- both businesses are going to generate significant positive cash.

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

Just a follow up, it seems like though this is a working capital release. And so shouldn't that have inflated the out years as opposed to reiterate or in the case of 2019, you're putting [kind of] \$250 million contingency, it would seem like if this is a timing and working capital release shouldn't it be inflating those out years?

John Di Bert - Bombardier Inc. - Senior VP & CFO

I mean look at '19 here, we're talking about \$250 million it's up to \$500 million of cash generation. So I think that in a sense here we do have significant cash growth year-over-year. And I think we are just being prudent, I mean we have always been transparent with you guys. We've never tried to beat around things. So we have appeared to work through with BT and the 7500. We are not going to try to be perfect about it. We have always been prudent and proactive. Some of the things that we do are to make sure that we are not vulnerable. And the reality is if you go back to Investor Day '17, we signaled the fact we had heavy inflection, a big agenda and then we went out and made sure that we weren't going to be vulnerable to it when we did the sale of land at Downsview. So in a nutshell I think the big takeaway here is, we'll finish the year with \$3 billion of cash on hand. And the next year we'll go into a year where we see up to \$500 million of operating cash flow. I think it's a great place to be.

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

And there is one clarification. You mentioned BCI, I think was a reiteration of that \$250 million of EBIT loss for the year, is that still the case?

John Di Bert - Bombardier Inc. - Senior VP & CFO

I missed it sorry. I didn't understand your question.

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

BCI EBIT.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Yes.

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

Is it still reiterated to be \$250 million loss for the year?

Patrick Ghoche - Bombardier Inc. - VP of IR

For 2018, you mean?

Myles Alexander Walton - Deutsche Bank AG, Research Division - Former MD

Yes.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Yes. So for 2018, yes, because don't forget that, that includes half the year with the C Series. And as Alain mentioned, we do have still some work here on the CRJ. It's a program that still doesn't produce profitability. And there's 2 elements to that one, the program itself needs the -- needs improved cost structure. And two, we are working through the post C Series, kind of, I'll call it just the stranded cost, the overhang. And the announcement today the overall reduction we will deal with that, which is you have the smaller total aero -- commercial aerospace business. And so we'll take out some of the overhead that goes with it. So that will work through 2019.

Operator

A following question is from Ron Epstein from Bank of America. Please go ahead. I am so sorry Mr. Epstein, your line is really bad, can you pick up the handset? I am so sorry we do not hear your question. Could you please call back and press star 1 again. We will proceed with the next question. Our next question is from Noah Poponak from Goldman Sachs.

Noah Poponak - Goldman Sachs Group Inc., Research Division - Equity Analyst

John, am I hearing you correctly that the free cash shortfall in the quarter and for the year is basically entirely how quickly you are growing in Transportation and that it's difficult to predict, I guess, what can have a wide range of potential outcomes in working capital associated with that? Or is it also something associated with the phasing of the historical tougher contracts, something related to your terms of trade in your JVs? Is it anything else or is it simply that first side I described?

John Di Bert - Bombardier Inc. - Senior VP & CFO

It's exactly the first element what you described. I mean we invested significant working capital through '17, we have done so in the first half of the '18 and we were looking forward, we called it the inflection. And we said that was going to be kind of around Q3, even at the beginning of the year. And it's really about continuing to get the train deliveries done, it's about hitting milestones. And the largely like I said we have had a lot of progress this year. So it's got to be a little bit of perspective as well, we did set out an aggressive agenda. But when it's all said and done I mean it's something that we will be able to work through. So it's really about just getting through the growth at BT and getting working capital released. And that will still come, it is just going to take a few more quarters to work through. (inaudible) do with any other part of the business. And I

mentioned in my comment earlier as well we had some -- we continued to have very strong book to bill and for the year almost 1 and it will be bigger than 1 for the full year. Bottom line is that you are also seeing some of the strategic intents of what we are doing, which is we are getting more service contracts, and we are getting more contracts that are option renewals that take advantage of the technology we have already developed. The challenge with that is that some times when that mix gets a little bit shifted you end up with less cash inflows because customers who are buying services or buying options typically don't put big money down. So there's been a little bit of movement in the order book with that respect. But that's something that just -- it just -- what it did is expose a little bit of vulnerability in our working capital, more than it was an issue in and of itself. So we are -- looking some positive on the business and we will work through this.

Noah Poponak - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

In the 2019 free cash flow forecast you've now provided, it's -- if I am looking at these numbers correctly, it's plus or minus \$250 million all-in, but you have \$500 million between the two, \$250 million pieces of, I guess, what you would call non-recurring. So why aren't you calling the high end of the adjusted range \$750 million?

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

I am notâ€¦

Noah Poponak - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Which one? The 250 -- so \$250 million at the high end of plus or minus \$250 million.

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

Yes.

Noah Poponak - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And then adding back the \$500 million of the restructuring item and the working capital contingency, why isn't that \$250 million plus \$500 million equals \$750 million.

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

Maybe we can speak offline on this one. Maybe I am not sure I get the whole math but I'll just -- I'll take a stab at the -- in the penalty with what we are seeing here with the cash. And then like I said we can talk offline if you want to just go through the technical, but essentially we see the business being able to generate up to \$500 million, right. So we create a range which means \$250 million to \$500 million is our expectation of the operating cash flows of the business including the CapEx and so on and so forth. And then from there we are basically saying, look you know what, yes so it's your point that we are maintaining ourselves the flexibility of the range of \$250 million to \$500 million and then we are saying, from there we know we are going to spend \$250 million on restructuring so that will come out. So now you would have said the range is 0 to \$250 million. And then we will keep the \$250 million contingency just for working capital. So I am not sure how did do you get to the \$750 million, we can talk offline. But the way I see it that we have a business that we are very confident with the \$250 million contingency in it can deliver breakeven or better.

Noah Poponak - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I mean basically your all-in range is wider than your adjusted range. Is there an additional contingency for things that may change from here beyond the \$250 million specific working capital contingency that you are taking upfront?

John Di Bert - Bombardier Inc. - Senior VP & CFO

No, I mean nothing specific no. So we are just -- we are giving you guys early guidance, maybe the range is a bit wide, but don't forget I mean we are looking at this in November. We have a big ramp on the 7500. So it's possible as we graduate through the year we tighten that up a little bit, but no, (inaudible) I feel this is the right way to go in. We know what we are doing here in terms of a turnaround. And I think the real positive is when you look at 2020, I mean we have set that number out 3 years ago plus. And I said in my comments that that's really the way we feel. We have never been more -- had more clarity or confidence that those 2020 objectives are achievable. So this is just working through a turnaround, it is a turnaround and we shouldn't forget that.

Noah Poponak - Goldman Sachs Group Inc., Research Division - Equity Analyst

Yes. I might be doing tired math there so I'll follow up with you on that one offline. Last one for me on free cash, what's the year in which you expect to have fully completely normalized working capital and CapEx in the business?

John Di Bert - Bombardier Inc. - Senior VP & CFO

I think more a conversation for Investor Day, right? I mean that way we will probably entertain some of the sessions there is that it is beyond 2020. So 2020 is a year where I think we get to step down a real solid \$750 million to \$1 billion. And then from that point on the way I feel is that this is a business that generates \$1 billion plus of cash for the long-term and on a sustainable level. And those are things that probably happen through '21, '22 when you get normalized production at the BBA with the 7500. So I think we'll kind of ramped up all the programs BT, Aero by pass -- and even the C Series piece of the house will be working well by then. So I think you are looking at '22 and thereabout, '21, '22.

Patrick Ghoche - Bombardier Inc. - VP of IR

For next callers we will ask you to just please limit to 1 question in the interests of time. Thanks.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Excellent.

Operator

A following question is from Walter Spracklin from RBC.

Walter Noel Spracklin - RBC Capital Markets, LLC, Research Division - Analyst

Patrick you said one question?

Patrick Ghoche - Bombardier Inc. - VP of IR

Yes, please.

Walter Noel Spracklin - RBC Capital Markets, LLC, Research Division - Analyst

All right. Make it -- going to make it a good one. Okay. So the 7500 ramp, perhaps you could talk a bit about if there is any change in your expectations with regards to the 15 to 20 in 2019 and then 40 in 2020. And then if you could, with that ramp could you speak to margin evolution as we go forward, but ultimately, I guess, John, where I'm going is, what do you see as the run rate margin for this business post 2020? I know you gave guidance for 7.5% for next year, presumably, you're back into that kind of 8 to 10 in 2020, but really, I'm trying to zero in on the run rate margin that this could conceivably achieve in the future if you get all your ducks in order in terms of your operating efficiencies.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Okay thanks, Walter. So a couple of things. First is that right now we're guiding 15 to 20 Global for '19. And I think you can sort of expect a double for 2020. So I mean, I'm not going to be overly precise at this point I'll let the guys get through the hard work in '19 and then we'll call 2020. But doubling that arrange is probably a good place to start. And as you said in the past, you said about 40 aircraft so, you're looking around that 35 to 40. In terms of -- and I think once you get past 2020, you get into a mature rate that's probably 40 aircraft or more. So I think it's going to have a real positive impact on BBA, this is going to be an accretive program it's a premium aircraft and it'll sell like a premium aircraft. So that should pull the margins for BBA upward. We're going to see some of that dilution on the short-term in '19. But really the guidance range for 2020 stands firm at 8% to 10%. And I would say that as I said in my previous comments as we get into '21, '22, you are going to start seeing margins at BBA improve beyond probably double digits. So I think we'll start getting into 10% plus margins there. You have a few good forces working in our favor. One, the after market continues to grow very nicely, typically margin accretive, and that'll continue through 2020. I think, you're going to need a couple years to go through the full learn out and the mature levels at the 7500. And so as you get into '21, '22, those 2 factors are very positive. And that's really with a kind of a legacy volume rate on the -- sorry I should say, a normal volume rate on the current existing portfolio. And don't forget we have great programs there in the 5500 and 6500. So all in, this is a business that will continue to grow both top line and margin expand.

Operator

A following question is from Ron Epstein from Bank of America. Mr. Epstein your line is open you may proceed with your question.

Patrick Ghoche - Bombardier Inc. - VP of IR

We'll move to the next question.

Operator

Next question is from Robert Spingarn from Credit Suisse.

Robert Michael Spingarn - Crédit Suisse AG, Research Division - Aerospace and Defense Analyst

John, forgive me but I want to probe a little bit more on this 2019, and I suppose 2020 free cash flow. I followed your explanation on Noah on the moving pieces there but I'm not sure I followed your answer to Myles on the \$600 million in working capital shortfall from this year. Given that I think your underlying '19 number of \$250 million to \$500 million, I think that sort of be a base case for most of us. And so, I would imagine, or I would have expected the \$600 million recovery to be somewhat additive to that and it isn't. And so, is it that it takes longer? Does this extend beyond 2019 to recover? And I also wanted to ask you in addition to that, to what extent 7500 working capital build is maybe off plan? Are those deliveries going to -- are customers lining up as expected there? And then the last part of this somewhat lengthy question is what is the actual contribution in free cash flow from the [sole] businesses for the 9 months that you're including in '19?

John Di Bert - Bombardier Inc. - Senior VP & CFO

Okay. So let me start with the first and then I make sure that maybe I'll answer a key part of the second. So in simple terms Rob, I mean, I guess the first thing and I don't want to be defensive but we never put out '19 guidance. But I mean you guys may have had estimates or expectations but the reality is we have a very clear objective in '18, we've talked about that. Told you what the challenges were and where we are and how we've actually made sure we had flexibility to navigate through that. And 2020 remains fully on plan and we see clearly towards the ability to generate \$750 million to \$1 billion cash flow. So I think those are the 2 bookmarks you put out there. '19, I mean, we're working through a turnaround and that's as simple as that. So we've got major components of the business that are working through growth, and with growth you need to manage working capital and you need to be able to manage that ramp. And I think it's the guidance in '19, to be honest, it gives me a lot of confidence. This business can generate \$350 million to \$500 million, and we've always been clear with you guys, transparent. We're prudently managed the business. We've always allowed for financial flexibility. And we continue to do that. So I'm frankly and I -- you guys may have other expectations but I'm pleased about where the business is. I'm looking forward to the train business grow. I'm looking forward to moving through cash generation across all of the portfolio with lower CapEx investment. And ultimately, I mean, I look at this, I take a step back. In 2018, we'll finish with \$3 billion of cash on hand. This is a good place to be. So at \$250 million to \$500 million of cash on the business maybe there's expectation that'd be better, maybe mid year next year, we can revisit that conversation we'll see where we are. For now, I think it's a right balance of how to look forward.

Robert Michael Spingarn - Crédit Suisse AG, Research Division - Aerospace and Defense Analyst

So John, the presumption there is that if you didn't have this working capital delay from this year to next year, that '19 free cash flow would have been somewhat flat with your original guide for '18, in other words the big change was always going to be in 2020?

John Di Bert - Bombardier Inc. - Senior VP & CFO

I think as part of that answer that's true for sure. I mean it doesn't mean that \$600 million will reverse through. I mean we have a ramp and a ramp is something that moves through so I guess the point here is you're doing dollar for dollar math. Part of the commentary I made is that we also had a little bit of ships in the portfolio. So let's call it 2/3 of that 1/2 to 2/3 of that is cash that kind of just reverts on working capital. And I'm not going to make a call on how perfect we're going to be in October, November, December next year. So we're leaving our self a bit a range. I think ultimately that the real takeaway here Rob is that we know -- we've known that we had a challenging ramp up, we've managed through it. We're going to probably take a couple more quarters to see the relief we wanted to see. 2019, there's going to be continued work through on it. We know the challenges where they are. These are not things that we don't know how to manage through. And fundamentally, they really are mostly associated with growth than they are with problematic issues. So by the time we get through '19, we'll have stepped up the BT franchise to the rate that it needs to be. And I think that by the time we get into '20, this is a cash and earnings generating business that is really up to scale with the turnaround that we've put in place starting '16.

Robert Michael Spingarn - Crédit Suisse AG, Research Division - Aerospace and Defense Analyst

And then the other part was the free cash contribution from the [sole] businesses that quantify that?

John Di Bert - Bombardier Inc. - Senior VP & CFO

Yes. So what I mean that we've generated about 10x EBIT EBITDA on -- EBITDA on this transaction. So you can do the math. It's primarily on the Business Aircraft divestiture should we see real cash impact, a little bit on the Q. But really so if you do you're math on the sale and you kind of divide it by around 10 or so, you get a sense for the impact. We feel that that doesn't change materially our expectations for '20, in part because we are taking out costs through the restructuring. So it's kind of a give and a take. And we like the fact of having the financial flexibility and the liquidity for more optionality from monetizing the asset.



Patrick Ghoche - Bombardier Inc. - VP of IR

Just if I can chip in, in the guidance, the underlying assumption is that the transactions flows in -- at the end of Q3.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Right.

Patrick Ghoche - Bombardier Inc. - VP of IR

So we've removed the Q4 contribution from the assets in '19. Q4 '19.

Robert Michael Spingarn - Crédit Suisse AG, Research Division - Aerospace and Defense Analyst

And it's not in '20 at all.

John Di Bert - Bombardier Inc. - Senior VP & CFO

Nothing in '20, correct. Yes. So we feel that that would be neutral and keeps within the range.

Operator

Our following question is from Cai Von Rumohr from Cowen and Company.

Cai Von Rumohr - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

So just to make sure on 2019, first, I assume it doesn't, as this year does, include the proceeds from the 2 sales transactions. And secondly, to get back to Rob's point, given that you had a slip of \$600 million this year, it looks like if you had to recover that, you would have been at best breakeven. And all along, while you kind of said that 2020 was going to be the big cash flow term, I think the implication all of us had is that 2019 would be somewhat better. From your internal plans, does 2019 look the same or worse?

John Di Bert - Bombardier Inc. - Senior VP & CFO

My internal plans relative to what, Cai?

Cai Von Rumohr - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Well, I mean if you'd looked at 2019, say at the end of the first quarter of this year, did it look like the cash would have been positive? Because if we net everything out, it looks today as if it's, you haven't recovered the \$600 million so that the \$600 million would be more than just a working capital or a timing issue, it would be a fundamental deterioration in the outlook.

John Di Bert - Bombardier Inc. - Senior VP & CFO

You know what I mean, listen I think, at the end of the day, I mean, I've said this several times now. So I mean, we keep this one as far as we're going to beat it for today. So look the business will generate \$0.5 billion of cash next year at the top side. There's a piece of the \$600 million that turns over to the piece that is more longer-term and you get paid for service when you deliver service over the long-term on the options. We'll get that



cash when the cash comes in over a longer period of time, not necessarily '19. So if you think about \$300 million \$400 million of the of the '18 piece being into '19, that still leaves you cash positive. At the end of the day I also said we're making sure that we have some flexibility here. So we have a range -- it's a bit of a wider range. Fundamentally, at the end of the day I think and I mean, your prerogative to look at this any way you want to. But the bottom line is that, here you have a business in really significantly progressed turnaround, and you have \$3 billion of cash ending the year not withstanding any computation that you want to put out there. And so when I look at \$3 billion going into '19, with the 7500 certified, the strategic partnership with Airbus, with a train business that is going to be a strong growth contributor. Look I mean, 2020 is the turnaround that we said we'd lay out as the objective of completing the turnaround. That's still in -- fully in target. And the reality is that, you know what, we're making better steps today than even before this call. We have more cost reduction, better efficiency and more financial flexibility. So when I look at it, this is right on plan to where we are doing. There's no deterioration of any kind frankly. I see an improvement from where we were a month, 2 months ago. I feel more confident. And actually, you know what, at the end of the day, 2019, a good place to be for me.

Alain M. Bellemare - Bombardier Inc. - President, CEO & Director

Can I -- if I might -- I just want to add a little bit. I think that we've been prudent all along here. We're going through a major turnaround. And by and large, if you look at what we've done so far, we've positioned the company extremely well for the next phase of the journey here. And the target of 2020 are right on the path to be achieved. So we feel very good about that. So for sure, I understand what you're saying that maybe some of the drag that we're seeing at BT right now, with higher working capital than expected should flow over to 2019. And maybe a portion of this will, but at this time, we want to be prudent and that we were doing the planning for 2019, because the focus really has always been to make sure that we deliver targets on 2020 for the significant value creation for shareholders. And we're still targeting to achieve these targets. And our level of confidence today is higher than what it was a few months ago.

Operator

A following question is from Fadi Chamoun from BMO Capital Markets.

Fadi Chamoun - BMO Capital Markets Equity Research - MD and Analyst

Just a couple of points. Given where the business is at right now, how much cash do you need John, to run the business in any given quarter? And sorry if I've missed this, but did you say what 2019 CapEx will look like?

John Di Bert - Bombardier Inc. - Senior VP & CFO

Yes. So we -- we haven't -- we'll talk more specifics, I guess, when we get to Investor Day with respect to detail around the 2019. But we'll be down significantly as 2018 was the last year of heavy investment in Aerospace. So you can be sure that that number will be probably \$800 million, \$900 million thereabout. So it'll be down whatever \$400 million, \$500 million from this year where I think it's 1.3 more or less in '18. And on our way probably to \$800 million or so. When you look at, I guess the business on the longer term, look we've been running this business at \$3 billion of liquidity on hand, that's what we've been doing. And we're going to turnaround and we will continue to be responsible and create flexibility and have a proactive approach to managing liquidity. I feel very good about where we are. We've had -- we've had strong access to markets. And we've always managed through the turnaround in a very responsible way. So for me 2020 is a year where we start to revisit what kind of cash on hand we want to keep. If it's a different level I think through '19 we'll stay here relatively responsible. I won't speculate on a number now in terms of where the longer term should be. But that's something that can come down below \$3 billion over time.

Patrick Ghoche - Bombardier Inc. - VP of IR

Operator, take one last question, please.



Operator

Certainly. Our last question is from Cameron Doerksen from National Bank Financial.

Cameron Doerksen - *National Bank Financial, Inc., Research Division - Analyst*

Just one last quick question on cash flow just on the funding for the Airbus A220 program, your cash commitment there. It maybe looks like it's coming in a little bit lower than kind of the maximum commitment in 2018. Just wondering what you baked into your expectations for 2019 on the cash commitment to Airbus on that?

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

Sure. Thanks Cameron. So to be frank, what we've done is we've built the whole obligation into '18, '19 and '20, '21 so we're taking an internal cash planning assumption, if you will, liquidity assumption for the entirety of the obligation and we'll see how it plays out. We're early days here. We've had a board with our partners already for the CSALP or the JV that holds the A220 and we'll work with them make sure the program is a very successful. We've done that out of just prudent management here. So from a liquidity and cash planning point of view, we just assumed the entire obligation and we'll go from here.

Cameron Doerksen - *National Bank Financial, Inc., Research Division - Analyst*

And was the sort of the Q3 payment, was that -- it looks like it maybe below what the commitment, the maximum commitment was?

John Di Bert - *Bombardier Inc. - Senior VP & CFO*

Yes but I think it'll start up Q3, Q4 so I think that probably at this point, we're still planning the 225 for half HQ -- sorry second half '18 and recall that that's largely supported by the advance we had from UTC on the engine delay. So that was part of the cash we received in '17. It was not free cash flow at the time so we've returned that to UTC in the fourth quarter.

Patrick Ghoche - *Bombardier Inc. - VP of IR*

We'll just make some final comments before we end the call.

Alain M. Bellemare - *Bombardier Inc. - President, CEO & Director*

Well, thank you all for joining the call today. I would say that was like a very significant quarter. And we actually just finalized our major investment phase with a successful certification of our Global 7500, which is just the best Business Aircraft in the world. We've also completed ahead of time the partnership with Airbus, which is fully de-risking the C Series and now trading a great platform with the Airbus 220, which is going to be creating value for shareholders and customers in the long run. We are on a solid liquidity position right now. We're managing our growth agenda. And it's clear what we're doing. We're sharpening our focus on BBA, on our Aerostructure business, and also at BT, we're driving productivity across the entire organization, derive margin expansion so that we can make sure that we will achieve our 2020 targets. And as a team, we feel very confident today that we are on the right track to achieving these targets in 2020. On this, I want thank you again for your time, and I look forward to seeing you soon.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. And we thank you for your participation.



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